



Financial Statements
December 31, 2018

Housing Authority of the City of Pueblo

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Independent Auditor's Report

The Board of Commissioners
Housing Authority of the City of Pueblo
Pueblo, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component units of the Housing Authority of the City of Pueblo as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the discretely presented component units were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component units of the Housing Authority of the City of Pueblo, as of December 31, 2018, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority of the City of Pueblo's financial statements. The accompanying supplementary schedules on pages 39 through 41 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the Financial Data Schedules (FDS) are presented for purposes of additional analysis as required by the Housing and Urban Development Real Estate Center (REAC) and are not a required part of the financial statements.

The supplementary schedules on pages 39 through 41, the financial data schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated July 3, 2019 on our consideration of Housing Authority of the City of Pueblo's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Housing Authority's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Eide Sallie LLP". The signature is written in a cursive, flowing style.

Bismarck, North Dakota
July 3, 2019

The Housing Authority of the City of Pueblo (the Authority) offers readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended December 31, 2018. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements, which begin on page 12.

Financial Highlights

2018

- The assets of the Authority exceeded its liabilities as of December 31, 2018 by \$37,483,750, an increase of \$1,712,136 from December 31, 2017.
- As of December 31, 2018, the Authority had unrestricted net position of \$22,156,357.
- The Authority's unrestricted cash balance at December 31, 2018 was \$8,446,726, representing an increase of \$682,821 from December 31, 2017.
- The Authority had HUD operating funding of \$14,663,795, HUD capital grants of \$1,137,759, and tenant rents of \$3,326,620 for 2018. The Authority paid out \$9,293,220 in housing assistance payments and incurred \$8,451,495 in other operating expenses (excluding depreciation of \$1,814,658) in 2018.

2017

- The assets of the Authority exceeded its liabilities as of December 31, 2017 by \$35,771,614, an increase of \$541,614 from December 31, 2016.
- As of December 31, 2017, the Authority had unrestricted net position of \$20,156,464.
- The Authority's unrestricted cash balance at December 31, 2017 was \$7,763,905, representing a decrease of \$6,342,308 from December 31, 2016.
- The Authority had HUD operating funding of \$14,825,753, HUD capital grants of \$1,605,137, and tenant rents of \$3,462,056 for 2017. The Authority paid out \$10,067,990 in housing assistance payments and incurred \$8,632,499 in other operating expenses (excluding depreciation of \$1,810,996) in 2017.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements are comprised of: 1) fund financial statements and 2) notes to the financial statements. As required by HUD, this report also includes supplemental information such as:

- Reports on Compliance
- Schedule of Expenditures of Federal Awards
- Departmental Financial Statements
- Real Estate Assessment Center (REAC) reconciling report
- Schedule of Findings and Questionable Costs

Financial Statements

The financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The statement of activities presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in past or future periods (e.g. depreciation and earned personal leave).

The statement of cash flows presents information showing the Authority's inflows and outflows of cash and cash equivalents during the most recent fiscal year. All changes in cash and cash equivalents are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related changes in net position. Thus, cash flows are reported in this statement for some items that will only result in revenue or expenses in past or future periods (e.g., purchase of assets, new loans, or payments on loans).

Departmental Financial Statements

A program is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Authority has only one fund type, namely an enterprise fund.

Supplemental Information

The supplemental information is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The schedule of expenditures of federal awards can be found on page 42 of this report.

Entity-Wide Financial Analysis

Statement of Net Position

The following table reflects the condensed Statement of Net Position for the Authority.

**Housing Authority of the City of Pueblo
Authority-Wide Net Position as of December 31, 2018 and 2017
(In thousands of dollars)**

| | 2018 | 2017 |
|----------------------------------|-----------|-----------|
| Current Assets | \$ 15,426 | \$ 13,335 |
| Other Assets | 8,631 | 8,114 |
| Net Capital Assets | 20,345 | 21,386 |
| Total assets | \$ 44,402 | \$ 42,835 |
| Current Liabilities | \$ 1,827 | \$ 2,403 |
| Long-Term Liabilities | 5,091 | 4,661 |
| Total liabilities | 6,918 | 7,064 |
| Net Position | | |
| Net investment in capital assets | 15,261 | 15,615 |
| Restricted | 67 | - |
| Unrestricted | 22,156 | 20,156 |
| Total net position | 37,484 | 35,771 |
| Total Liabilities & Net Position | \$ 44,402 | \$ 42,835 |

As noted earlier, net position may serve, over time, as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by \$37,484,000 as of December 31, 2018.

A large portion of the Authority's net position (41%) reflects its investment in capital assets (e.g. buildings, machinery, and equipment). The Authority uses these capital assets to provide housing and services to low-income tenants: consequently, these assets are not available for future spending. The unrestricted net position (\$22,156,357) of the Authority is available for future use to provide program services.

A condensed Statement of Changes in Net Position for the years ended December 31, 2018 and 2017 is shown in the table below.

**Housing Authority of the City of Pueblo
Authority-Wide Change in Net Position
(In thousands of dollars)**

| | 2018 | 2017 |
|---------------------------------------|-----------|-----------|
| Revenues | | |
| HUD PHA grants | \$ 14,664 | \$ 14,826 |
| HUD capital grants | 1,138 | 1,605 |
| Other grants | 724 | 56 |
| Rental income | 3,327 | 3,450 |
| Other | 1,574 | 1,290 |
| Total revenue | 21,427 | 21,227 |
| Expenses | | |
| Housing assistance payments | 9,293 | 10,069 |
| Administrative salaries and benefits | 2,652 | 2,417 |
| Maintenance salaries and benefits | 1,603 | 1,657 |
| Other administrative | 515 | 638 |
| Regular and extraordinary maintenance | 1,750 | 1,788 |
| Depreciation | 1,815 | 1,811 |
| Utilities | 1,208 | 1,112 |
| Taxes and insurance | 438 | 404 |
| Payments in lieu of taxes | 151 | 177 |
| Other | 289 | 613 |
| Total expenses | 19,714 | 20,686 |
| Change in Net Position | 1,713 | 541 |
| Net Position, Beginning of Period | 35,771 | 35,230 |
| Net Position, End of Period | \$ 37,484 | \$ 35,771 |

A large portion of the Authority's revenues are intergovernmental revenues received from the United States Department of Housing and Urban Development for cost reimbursement grants and operating expense subsidies. The Authority draws monies from the grant awards for allowable program and capital expenditures.

As noted earlier, the Authority uses departmental accounting to ensure and demonstrate compliance with finance-related legal requirements. Each of the departments has a specific objective and purpose to accomplish. The focus of the Authority's programs is to provide information on near-term inflows, outflows, and balances of spendable resources. During 2018, the Authority maintained eight departmental programs, although the major operations are described below:

Public Housing – Owns and operates 901 units of housing for rent to low-income families. The program ended 2018 with net position of \$19,635,328 of which \$11,924,858 (61%) is invested in capital assets; and \$7,710,470 is available as operating reserves. The main sources of revenue are rents charged to tenants, HUD annual operating subsidy, and capital grants.

Central Office Cost Center – Provides administrative support for all funds and has outside management contracts for Ashwood Apartments (25 units), Santa Fe Crossing Apartments (30 units), and Oakshire II Villas (29 units). The COCC also provided support and management for Rood Candy Apartments (35 units), which was acquired by the COCC on January 1, 2015 and Oakshire Hills, LLP (50 units), which was acquired on December 31, 2016. The net position is \$9,838,654. The sources of revenues are management and administrative fees charged.

Vouchers – The Authority managed 1,470 Vouchers (HCV) and 276 Mod Rehab Vouchers at year-end December 2018. In addition, the Authority provides 70 Veterans Affairs Supportive Housing (VASH) vouchers. The revenue source for the HCV, Mod Rehab and VASH vouchers is HUD in the amount of \$10,458,945.

Capital Asset and Debt Administration

Capital Assets

2018

As of December 31, 2018, the Authority's investment in capital assets was \$20,344,961 (net of accumulated depreciation). During 2018, the significant additions to capital assets were \$773,285, consisting of structure expenditures for \$545,877, site improvements for \$148,768, and other equipment for \$78,640.

2017

As of December 31, 2017, the Authority's investment in capital assets was \$21,386,334 (net of accumulated depreciation). During 2017, the significant additions to capital assets were \$605,076, consisting of structure expenditures for \$277,208, site improvements for \$174,306, and other equipment for \$153,562.

Additional information on the Authority's capital assets can be found in Notes 1 and 5 of this report.

Long-Term Debt

2018

As of December 31, 2018, the Authority had long-term loans of \$4,208,279 while the discretely presented component units had long-term loans of \$11,037,593.

Loan activity during the current fiscal year is as follows:

- The principal payments on the loans in 2018 totaled \$1,421,380 for the Authority and \$72,086 for the discretely presented component units.
- Principal advances on the loans in 2018 totaled \$1,066,316 for the Authority and \$4,447,018 for the discretely presented component units.

2017

As of December 31, 2017, the Authority had long-term loans of \$4,563,343 while the discretely presented component units had long-term loans of \$9,323,618.

Loan activity during the current fiscal year is as follows:

- Principal payments on loans in 2017 totaled \$1,282,638 for the Authority and \$61,733 for the discretely presented component units.
- Principal advances on the loans in 2017 totaled \$4,393,598 for the discretely presented component units and no advances made for the Authority.

Additional information on the Authority's debt can be found in Note 8 of this report.

Economic Outlook

Over 80% of the Housing Authority of the City of Pueblo's funding comes from the federal dollars in the form of operating subsidies, capital fund grants, Section 8 housing assistance payments, and other smaller grants. HUD controls the Section 8 funding by limiting the renewal funding and capping the administrative fee. Portable Section 8 activities and full leasing are other issues that can affect funding. The Voucher Management System is used by HUD to disperse the funding based on recent reporting of actual activity. The HUD rules for project-based management has meant changes for HACP as we continue using the Asset Management Project (AMP) number system and staff has been reorganized into management and maintenance teams aligned by AMP. The Housing Authority of the City of Pueblo changed their fiscal year-end to follow a calendar year schedule beginning with the period ending on December 31, 2016. The HACP will be vigilant in complying with these new rules and intends to continue meeting HUD reporting requirements for our fiscal year December 31, 2018 and beyond.

The Capital Fund for 2018 of \$1.164 million was approved by the U.S. Department of Housing and Urban Development (HUD). These funds go towards modernization and management improvements and development. Under modernization the Pueblo Housing Authority expends the Capital Fund to upgrade various physical needs on a project by project basis. The Authority is still planning on the demolition and replacement of 212 units at the Sangre de Cristo project in the near future with the use of the Rental Assistance Demonstration (RAD) program, capital funds, low income housing tax credits, Federal Home Loan Bank grants, and Home grants from the State of Colorado and the City and County of Pueblo. The RAD program is being implemented as the Housing Authority receives notice from HUD that portions of the RAD financing plan has been approved. HACP did receive notice from CHFA in November 1, 2017 advising HACP of a reservation of credits in the amount of \$1,250,000 for the Uplands Townhomes project. A new reservation for \$1,350,000 for our second phase named the Mountain View Townhomes has been received.

In 2018 and 2017, we continued to upgrade units in all Asset Management Projects (AMP) 100, 200, 300, and 400. In addition to the modernization process, the Authority continues to provide day to day operating services to our tenants at a level that will sustain a living environment at the highest quality. On the average, the agency modernizes 50 to 80 units annually. We continue to maintain our properties at a high standard by contracting with general contractors who in turn utilize subcontractors. This action creates jobs and through a multiplier generates dollars which in turn benefits the community both in a financial and economic sense.

The Housing Authority has become very effective in providing a Family Self-Sufficiency (FSS) program to families in public housing and to those using Section 8 Housing Choice Vouchers. A primary focus is to provide opportunities for the participants to gain more education, job training, child care and gainful employment. Currently, there are 60 families active in the FSS program and there have been numerous graduates, many of them have become home owners.

We also provide home ownership opportunities to working families in the Housing Choice Voucher program. Our goal is to convert 5 such families annually from a renter status to becoming a home owner.

Mineral Palace Tower, a HUD Section 8 New Construction housing program for the elderly continues to be successful. Our tenants enjoy a well-maintained facility and comfortable living environment.

The Farm Labor Housing Program, after review by Rural Development, received a high rating for the condition of the apartments and the common areas as well recognition for our highly organized files and accounting system. The development continues to maintain high occupancy level with units being filled within a month and minimal maintenance requirements. As the units begin to age there is planned replacement of major items that are showing wear.

Contact Information

This financial report is designed to provide the reader with a general overview of the Housing Authority of the City of Pueblo's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Housing Authority of the City of Pueblo
Ted Ortiviz
Executive Director
201 S. Victoria
Pueblo, CO 81003

Housing Authority of the City of Pueblo
Statement of Net Position
December 31, 2018

| | <u>Primary Government</u> | <u>Discretely Presented Component Units</u> |
|--|-------------------------------|---|
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 8,446,726 | \$ 825,916 |
| Restricted cash | 407,779 | 367,337 |
| Accounts receivable | | |
| HUD | 461,141 | - |
| Tenants, net of allowance | 66,829 | 15,366 |
| Related party | 4,656,386 | - |
| Interest on notes receivable | 324,372 | - |
| Other | 40,831 | - |
| Note receivables - current portion | 563,132 | - |
| Inventory | 154,316 | - |
| Prepaid expenses | 304,621 | 4,465 |
| Total Current Assets | <u>15,426,133</u> | <u>1,213,084</u> |
| Notes Receivable - Net of Current Portion | <u>8,081,277</u> | <u>-</u> |
| Accounts Receivable, Related Party - Long Term | <u>-</u> | <u>-</u> |
| Other Assets | <u>549,571</u> | <u>35,514</u> |
| Capital Assets | | |
| Non-depreciable | 4,023,445 | 15,373,238 |
| Depreciable, net | 16,321,516 | 9,787,045 |
| Total Capital Assets | <u>20,344,961</u> | <u>25,160,283</u> |
| Total Assets | <u><u>\$ 44,401,942</u></u> | <u><u>\$ 26,408,881</u></u> |

Housing Authority of the City of Pueblo
Statement of Net Position
December 31, 2018

| | <u>Primary Government</u> | <u>Discretely Presented Component Units</u> |
|--|-------------------------------|---|
| Liabilities and Net Position | | |
| Current Liabilities | | |
| Accounts payable | \$ 439,472 | \$ 1,525,327 |
| Accounts payable - related party | - | 3,796,969 |
| Accrued wages payable | 151,630 | - |
| Accrued compensated absences | 362,022 | - |
| Accrued liabilities | 107,772 | 131,186 |
| Accrued interest payable | 8,216 | 267,449 |
| Unearned revenue | 25,213 | - |
| Tenants security deposits payable | 277,685 | 71,682 |
| Construction note payable | - | 2,660,957 |
| Notes and mortgages payable - current | 454,720 | 1,230,260 |
| Total Current Liabilities | <u>1,826,730</u> | <u>9,683,830</u> |
| Long-Term Liabilities | | |
| Accrued compensated absences | 247,681 | - |
| Accrued payments in lieu of taxes | 1,090,222 | - |
| Developer fee payable | - | 730,641 |
| Accrued interest payable - long term portion | - | 890,841 |
| Notes and mortgages payable - net of current portion | 3,753,559 | 9,807,333 |
| Total Long-Term Liabilities | <u>5,091,462</u> | <u>11,428,815</u> |
| Total Liabilities | <u>6,918,192</u> | <u>21,112,645</u> |
| Net Position | | |
| Net investment in capital assets | 15,260,628 | 10,731,092 |
| Restricted | 66,765 | - |
| Unrestricted | 22,156,357 | (5,434,856) |
| Total Net Position | <u>37,483,750</u> | <u>5,296,236</u> |
| Total Liabilities and Net Position | <u>\$ 44,401,942</u> | <u>\$ 26,408,881</u> |

Housing Authority of the City of Pueblo
Statement of Revenues, Expenses and Changes in Net Position
Year Ended December 31, 2018

| | Primary Government | Discretely Presented Component Units Year Ended Units |
|--|-----------------------|---|
| Operating Revenues | | |
| HUD PHA grants | \$ 14,663,795 | \$ - |
| Other grants | 724,393 | - |
| Rental income | 3,326,620 | 681,730 |
| Other | 1,341,823 | 21,877 |
| Total Operating Revenues | <u>20,056,631</u> | <u>703,607</u> |
| Operating Expenses | | |
| Housing assistance payments | 9,293,220 | - |
| Administrative salaries and benefits | 2,652,357 | 4,212 |
| Maintenance salaries and benefits | 1,602,792 | - |
| Other administrative | 515,370 | 82,306 |
| Regular and extraordinary maintenance | 1,750,088 | 108,214 |
| Depreciation | 1,814,658 | 533,116 |
| Utilities | 1,208,063 | 53,500 |
| Insurance | 437,811 | 51,218 |
| Payments in lieu of taxes | 151,394 | - |
| Other | 133,620 | 3,784 |
| Total Operating Expenses | <u>19,559,373</u> | <u>836,350</u> |
| Operating Income (Loss) | <u>497,258</u> | <u>(132,743)</u> |
| Non-Operating Revenues (Expenses) | | |
| Gain on sale of other assets | 3,660 | - |
| Interest income | 228,928 | 118 |
| Interest expense | (153,341) | (223,638) |
| Other | (2,128) | (7,346) |
| Total Non-Operating Revenues (Expenses) | <u>77,119</u> | <u>(230,866)</u> |
| Income (Loss) Before Capital and Other Contributions | 574,377 | (363,609) |
| Capital and Other Contributions | | |
| HUD capital grant | <u>1,137,759</u> | <u>-</u> |
| Change in Net Position | 1,712,136 | (363,609) |
| Net Position, Beginning of Period | <u>35,771,614</u> | <u>5,659,845</u> |
| Net Position, End of Period | <u>\$ 37,483,750</u> | <u>\$ 5,296,236</u> |

Housing Authority of the City of Pueblo

Statement of Cash Flows
Year Ended December 31, 2018

| | <u>Primary Government</u> |
|--|-------------------------------|
| Operating Activities | |
| HUD PHA grants | \$ 14,236,934 |
| Other grants | 724,393 |
| Receipts from tenants | 3,322,169 |
| Other income | 1,350,188 |
| Housing assistance payments | (9,293,220) |
| Payments to employees | (4,329,156) |
| Payments to suppliers | <u>(3,948,238)</u> |
| Net Cash from Operating Activities | <u>2,063,070</u> |
| Capital and Related Financing Activities | |
| HUD capital grant | 1,137,759 |
| Issuance of long-term debt | 1,066,316 |
| Principal payments on long-term debt | (1,421,380) |
| Interest on long-term debt | (154,429) |
| Payments to related parties | (530,354) |
| Acquisition of capital assets | <u>(773,285)</u> |
| Net Cash used for Capital and Related Financing Activities | <u>(675,373)</u> |
| Investing Activities | |
| Investments in future developments | (311,152) |
| Receipts on notes receivable | 15,000 |
| Receipts on notes receivable - related party | 65,697 |
| Issuance of notes receivable - related party | (673,688) |
| Interest income | 132,914 |
| Other miscellaneous non-operating payments | <u>(2,128)</u> |
| Net Cash used for Investing Activities | <u>(773,357)</u> |
| Net Change in Cash and Cash Equivalents | 614,340 |
| Cash and Cash Equivalents, Beginning of Period | <u>8,240,165</u> |
| Cash and Cash Equivalents, End of Period | <u><u>\$ 8,854,505</u></u> |

Housing Authority of the City of Pueblo

Statement of Cash Flows
Year Ended December 31, 2018

| | Government |
|--|--------------|
| Reconciliation of Cash and Cash Equivalents | |
| Cash | \$ 8,446,726 |
| Restricted Cash | 407,779 |
| Total Cash and Cash Equivalents | \$ 8,854,505 |
| Reconciliation of Operating Income to Net Cash From Operating Activities | |
| Operating income | \$ 497,258 |
| Adjustments to reconcile operating income to net cash from operating activities | |
| Depreciation | 1,814,658 |
| Share of (earnings) losses from investments in tax credit projects | 4 |
| Gain on disposal of assets | 3,660 |
| Changes in assets and liabilities | |
| (Increase) decrease in assets: | |
| Receivables | (427,039) |
| Inventory | (28,319) |
| Prepaid expenses | (9,825) |
| Increase (decrease) in liabilities: | |
| Accounts payable | 260,811 |
| Tenant security deposits payable | (3,905) |
| Accrued compensation | (35,499) |
| Accrued liabilities | (11,065) |
| Unearned revenue | 2,331 |
| Cash Flows from Operating Activities | \$ 2,063,070 |

Housing Authority of the City of Pueblo
Combining Statement of Net Position – Discretely Presented Component Units
December 31, 2018

| | <u>Ashwood Apartments</u> | <u>Santa Fe Crossing</u> | <u>Oakshire Hills II</u> | <u>Uplands Townhomes</u> | <u>Total</u> |
|---------------------------|-------------------------------|------------------------------|------------------------------|------------------------------|----------------------|
| Assets | | | | | |
| Current Assets | | | | | |
| Cash and cash equivalents | \$ 52,369 | \$ 296,602 | \$ 476,945 | \$ - | \$ 825,916 |
| Restricted cash | 109,629 | 73,883 | 183,825 | - | 367,337 |
| Accounts receivable | | | | | |
| Tenants | 1,304 | 4,195 | 9,867 | - | 15,366 |
| Prepaid expenses | 177 | 771 | 3,517 | - | 4,465 |
| Total Current Assets | <u>163,479</u> | <u>375,451</u> | <u>674,154</u> | <u>-</u> | <u>1,213,084</u> |
| Other Assets | <u>14,203</u> | <u>-</u> | <u>21,311</u> | <u>-</u> | <u>35,514</u> |
| Capital Assets | | | | | |
| Non-depreciable | 125,798 | 651,838 | 510,000 | 14,085,602 | 15,373,238 |
| Depreciable, net | 2,258,192 | 3,739,585 | 3,789,268 | - | 9,787,045 |
| Total Capital Assets | <u>2,383,990</u> | <u>4,391,423</u> | <u>4,299,268</u> | <u>14,085,602</u> | <u>25,160,283</u> |
| Total Assets | <u>\$ 2,561,672</u> | <u>\$ 4,766,874</u> | <u>\$ 4,994,733</u> | <u>\$ 14,085,602</u> | <u>\$ 26,408,881</u> |

Housing Authority of the City of Pueblo
Combining Statement of Net Position – Discretely Presented Component Units
December 31, 2018

| | Ashwood Apartments | Santa Fe Crossing | Oakshire Hills II | Uplands Townhomes | Total |
|--|-----------------------|----------------------|----------------------|----------------------|----------------------|
| Liabilities and Net Position | | | | | |
| Current Liabilities | | | | | |
| Accounts payable | \$ 1,236 | \$ 9,756 | \$ 6,408 | \$ 1,507,927 | \$ 1,525,327 |
| Accounts payable - related party | - | 2,068,317 | - | 1,728,652 | 3,796,969 |
| Accrued liabilities | - | 131,186 | - | - | 131,186 |
| Accrued interest payable | 2,703 | - | 113,658 | 151,088 | 267,449 |
| Tenants security deposits payable | 9,487 | 23,245 | 38,950 | - | 71,682 |
| Construction note payable | - | - | - | 2,660,957 | 2,660,957 |
| Notes and mortgages payable - current | 54,421 | 1,153,211 | 22,628 | - | 1,230,260 |
| Total Current Liabilities | 67,847 | 3,385,715 | 181,644 | 6,048,624 | 9,683,830 |
| Long-Term Liabilities | | | | | |
| Developer fee payable | - | - | 10,641 | 720,000 | 730,641 |
| Accrued interest payable - long term portion | - | 890,841 | - | - | 890,841 |
| Notes and mortgages payable - net of current portion | 565,630 | 1,362,333 | 1,699,711 | 6,179,659 | 9,807,333 |
| Total Long-Term Liabilities | 565,630 | 2,253,174 | 1,710,352 | 6,899,659 | 11,428,815 |
| Total Liabilities | 633,477 | 5,638,889 | 1,891,996 | 12,948,283 | 21,112,645 |
| Net Position | | | | | |
| Net investment in capital assets | 1,763,939 | 1,875,879 | 2,566,288 | 4,524,986 | 10,731,092 |
| Unrestricted | 164,256 | (2,747,894) | 536,449 | (3,387,667) | (5,434,856) |
| Total Net Position | 1,928,195 | (872,015) | 3,102,737 | 1,137,319 | 5,296,236 |
| Total Liabilities and Net Position | \$ 2,561,672 | \$ 4,766,874 | \$ 4,994,733 | \$ 14,085,602 | \$ 26,408,881 |

Housing Authority of the City of Pueblo

Combining Statement of Revenues, Expenses, and Changes in Net Position – Discretely Presented Component Units
Year Ended December 31, 2018

| | Ashwood Apartments | Santa Fe Crossing | Oakshire Hills II | Uplands Townhomes | Total |
|---|-----------------------|----------------------|----------------------|----------------------|---------------------|
| Operating Revenues | | | | | |
| Rental income | \$ 155,326 | \$ 292,435 | \$ 233,969 | \$ - | \$ 681,730 |
| Other | 1,768 | 12,932 | 7,177 | - | 21,877 |
| Total Operating Revenues | <u>157,094</u> | <u>305,367</u> | <u>241,146</u> | <u>-</u> | <u>703,607</u> |
| Operating Expenses | | | | | |
| Administrative salaries and benefits | 2,120 | - | 2,092 | - | 4,212 |
| Other administrative | 18,933 | 34,553 | 28,753 | 67 | 82,306 |
| Regular and extraordinary maintenance | 16,142 | 69,637 | 22,435 | - | 108,214 |
| Depreciation | 94,555 | 240,099 | 198,462 | - | 533,116 |
| Utilities | 15,852 | 30,773 | 6,875 | - | 53,500 |
| Taxes and insurance | 5,655 | 29,464 | 16,099 | - | 51,218 |
| Other | 1,441 | - | 2,343 | - | 3,784 |
| Total Operating Expenses | <u>154,698</u> | <u>404,526</u> | <u>277,059</u> | <u>67</u> | <u>836,350</u> |
| Operating Income (Loss) | <u>2,396</u> | <u>(99,159)</u> | <u>(35,913)</u> | <u>(67)</u> | <u>(132,743)</u> |
| Non-Operating Revenues (Expenses) | | | | | |
| Interest income | - | 118 | - | - | 118 |
| Interest expense | (23,115) | (109,578) | (90,945) | - | (223,638) |
| Other | (2,838) | (2,000) | (2,508) | - | (7,346) |
| Total Non-Operating Revenues (Expenses) | <u>(25,953)</u> | <u>(111,460)</u> | <u>(93,453)</u> | <u>-</u> | <u>(230,866)</u> |
| Change in Net Position | (23,557) | (210,619) | (129,366) | (67) | (363,609) |
| Net Position, Beginning of Year | <u>1,951,752</u> | <u>(661,396)</u> | <u>3,232,103</u> | <u>1,137,386</u> | <u>5,659,845</u> |
| Net Position, End of Year | <u>\$ 1,928,195</u> | <u>\$ (872,015)</u> | <u>\$ 3,102,737</u> | <u>\$ 1,137,319</u> | <u>\$ 5,296,236</u> |

Note 1 - Nature of Organization and Summary of Significant Accounting Policies**Nature of Organization**

The Housing Authority of the City of Pueblo (Authority) is a corporate body created in 1951 and uses available federal, state, and local resources to serve the residents of Pueblo, Colorado by upgrading and maintaining the existing housing stock, encouraging the construction of new housing affordable to low and moderate income households, and providing low and moderate income families and senior households with decent, safe, and affordable rental housing opportunities. The Authority owns and operates 901 units of family housing and administers 1,470 Section 8 housing choice vouchers, 276 Mod Rehab Section 8 Vouchers, and 70 Section 8 VASH Vouchers.

The Authority is governed by a five-member Board of Commissioners, which is appointed by the City of Pueblo, Colorado. The Authority is not financially accountable to the City of Pueblo and thus, is not a component unit of the City of Pueblo.

Reporting Entity

The Authority's financial statements include the accounts of all Authority operations. The criteria for including organizations as component units within the Authority reporting entity, as set forth in Section 2100 of the Governmental Accounting Standards Board's (GASB) Codification of Government Accounting and Financial Reporting Standards, include whether:

- The organization is legally separated (can sue and be sued in their own name).
- The Authority holds the corporate powers of the organization.
- The Authority appoints a voting majority of the organization's board.
- The Authority is able to impose its will on the organization.
- The organization has the potential to impose a financial benefit/burden on the Authority.
- There is fiscal dependency by the organization on the Authority.

Blended Component Units

Included within the financial reporting entity of the Authority as blended component units are Pueblo Fenix, Inc., El Centro Pueblo Development Corporation, Inc., Historic Renovations of Pueblo, Inc., and El Pueblo Learning & Technology Services, Inc., which are non-profit organizations controlled by the Authority.

Also included in the financial reporting entity of the Authority as blended component units are Rood Candy Apartments, LLLP, Ashwood Development LLC, and Oakshire Hills, LLLP, which are wholly owned entities of the Authority. Separate financial statements for Rood Candy Apartments, LLLP, Ashwood Development LLC, and Oakshire Hills, LLLP are not issued.

Pueblo Fenix, Inc. is the general partner in Ashwood Apartments, LLLP, El Centro Pueblo Development Corporation, Inc. is the general partner in Oakshire Hills II (Villas), LLLP and Uplands Townhomes, LLLP, and Historic Renovations of Pueblo, Inc. is the general partner in Santa Fe Crossing, LLLP, which are discretely presented component units and are described below.

Discretely Presented Component Units

The component unit columns in the combined financial statements include the financial data of the Authority's four discretely presented component units as of December 31, 2018. These units are reported in separate columns to emphasize that they are legally separate from the Authority.

Ashwood Apartments, LLLP – the general partner of this partnership, Pueblo Fenix, Inc., is a non-profit organization controlled by the Housing Authority of the City of Pueblo. Pueblo Fenix, Inc. has an ownership percentage of 0.01%. As the general partner, the Authority has the day to day management responsibilities of the partnership.

Santa Fe Crossing, LLLP – the general partner of this partnership, Historic Renovations of Pueblo, Inc., is a non-profit organization controlled by the Housing Authority of the City of Pueblo. Historic Renovations of Pueblo, Inc. has an ownership percentage of .01%. As the general partner, the Authority has the day to day management responsibilities of the partnership.

Oakshire Hills II (Villas), LLLP – the general partner of this partnership, El Centro Pueblo Development Corporation, Inc., is a non-profit organization controlled by the Housing Authority of the City of Pueblo. El Centro Pueblo Development Corporation, Inc. has an ownership percentage of .005%. As the general partner, the Authority has the day to day management responsibilities of the partnership.

Uplands Townhomes, LLLP – the general partner of this partnership, El Centro Pueblo Development Corporation, Inc., is a non-profit organization controlled by the Housing Authority of the City of Pueblo. El Centro Pueblo Development Corporation, Inc. has an ownership percentage of .005%. As the general partner, the Authority has the day-to-day management responsibilities of the partnership. Separate financial statements were not issued as of December 31, 2018 for this entity as the project was still in the construction phase and is expected to be completed in 2019.

The financial statements of the discretely presented component units are presented in the Authority's basic financial statements. Complete financial statements of the individual component units can be obtained from the Director of Finance, Housing Authority of the City of Pueblo, 201 S. Victoria Avenue, Pueblo, CO 81003.

Basis of Accounting and Measurement Focus

The Department of Housing and Urban Development Real Estate Assessment Center (REAC) assesses the financial condition of Public Housing Authorities (PHA's). To uniformly and consistently assess the PHA's, REAC requires that PHA's financial statements conform to Generally Accepted Accounting Principles (GAAP).

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All proprietary funds are accounted for using the economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the statement of Net Position. Net position is segregated into invested in capital assets, restricted and unrestricted components. The statements of revenues, expenses and changes in fund net position present increases (e.g., revenues) and decreases (e.g., expenses) in total net position. The statements of cash flows present the cash flows for operating activities, investing activities, capital and related financing activities and non-capital financing activities.

Program Accounting

The accounts of the Authority are organized on the basis of programs, each of which is considered a separate accounting entity. The operations of each program are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net position, revenues, and expenses. The Authority classifies its programs as proprietary.

Cash and Cash Equivalents

The Authority's cash deposits can only be invested in HUD approved investments: direct obligations of the Federal Government backed by the full faith and credit of the United States, obligations of government agencies, securities of government sponsored agencies, demand and savings deposits, time deposits, repurchase agreements, and other securities approved by HUD.

For the purpose of the statement of cash flows, the Authority considers cash deposits and highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Certificates of deposit are also considered to be cash equivalents due to their highly liquid nature and insignificant risk of change in value due to changes in interest rates. The Authority uses the certificate of deposits as part of the entity's cash management.

Accounts Receivable

Revenues are recorded when earned and are reported as accounts receivable until collected. Accounts receivable are expensed as bad debts at the time they are determined to be uncollectible. Management has established an allowance for doubtful accounts for amounts that may not be collectible in the future. Receivables are reported net of the related allowance of \$25,020 at December 31, 2018.

Inventory

Inventories are valued at the lower of cost or market using the first-in/first-out method.

Notes and Other Receivables

Notes and other receivables are carried at amounts advanced, net of a reserve for uncollectible accounts, if any. As of December 31, 2018, the Authority considered all notes and other receivables to be fully collectible, thus no allowance has been recorded at December 31, 2018.

Other Assets

Other assets consist of investments in tax credit partnerships and projects in development.

Investments in tax credit partnerships are accounted for under the equity method. Investments are stated at cost, plus (minus) the Authority’s equity in net earnings (losses) since acquisition, less any distributions received.

Investments in projects in development represents costs incurred by the Authority for future developments and are recorded at cost until a project is established. If a potential project is no longer deemed to be feasible, the costs are charged to expense in the year the project is abandoned.

Capital Assets

Land, buildings and improvements, and equipment are recorded at cost, including indirect development and acquisition costs. The Authority uses a capitalization threshold of \$5,000. Donated fixed assets are valued at their estimated value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend lives are not capitalized.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

| | |
|---------------------------|-------------|
| Buildings | 40 years |
| Land improvements | 15 years |
| Leasehold improvements | 10-20 years |
| Equipment and furnishings | 5 years |

The Authority reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends and prospects, the manner in which the property is used, and the effects of obsolescence, demand, competition, and other economic factors. Based on this assessment there was no impairment at December 31, 2018.

Fraud Recovery

HUD requires the Authority to account for monies recovered from tenants who committed fraud or misrepresentation in the application process for rent calculations and now owe additional rent for prior periods or retroactive rent as fraud recovery. The monies recovered are shared by HUD and the local authority.

Operating Revenues and Expenses

The Authority considers all revenues and expenses (including HUD intergovernmental revenues and expenses) as operating items with the exception of interest expense, interest income, and gain/loss on disposal of capital assets which are considered non-operating for financial reporting purposes.

Restricted and Unrestricted Resources

The Authority applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Accumulated Unpaid Vacation and Sick Leave

Accumulated unpaid vacation leave is accrued in the period incurred. Employees are permitted to accumulate a limited amount of vacation benefits. Upon separation or termination from the Authority, an employee will be paid for all accrued vacation hours.

Sick leave accumulated for employees hired prior to February 20, 2003 is paid up to 120 days (960 hours) for employees at regular rate of pay. For employees hired after February 20, 2003 accrued sick leave in excess of 75 days (600 hours) will be paid at regular rate not to exceed 45 days (360 hours) of compensation. The liability for accumulated sick leave is accrued in the period earned.

Unearned Revenues

As of December 31, 2018, unearned revenue of \$25,213 consists of advance rental payments received.

Components of Net Position

Components of net position include the following:

- Net Investment in Capital Assets – Consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of debt, including developer fees payable, issued to finance the acquisition, improvement, or construction of those assets.
- Restricted Net Position – Consists of net position less related liabilities reported in the basic statement of net position that are subject to restraints on their use by HUD.
- Unrestricted Net Position – Consists of net position less related liabilities reported in the basic statement of net position that are not subject to restraints on their use.

Business and Credit Risk

The Authority provides housing on account to tenants which are located primarily in Pueblo, Colorado.

Budgetary

The Authority's annual budgets are approved by the Board of Commissioners. The annual budgets for the Capital Fund Program, Low Rent Public Housing, and Housing Choice Vouchers are submitted annually to HUD. The annual budget for the Farm Labor program is submitted annually to Rural Development. No budget to actual statements are presented in this report, as housing authorities are not legally required to adopt a budget under the Local Government Budget Law of Colorado.

Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 - Deposits and Investments

Primary Government

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The institution is allowed to create a single collateral pool for all public funds held. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at equal to 102% of the uninsured deposits. The general depository agreement required by annual contract with HUD has additional collateral requirements, which the Authority met in 2018.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned to it. At December 31, 2018, the Authority's carrying amount of deposits was \$8,854,505 and the bank balance was \$8,985,854. Of the bank balances, \$1,359,660 was covered by Federal Depository Insurance, \$7,355,606 was properly collateralized with securities held by a pledging financial institution's agent in the government's name. The remaining balance of \$270,588 was uninsured and exposed to custodial credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of certificates of deposit will adversely affect the fair value of investments. The risk as addressed by ensuring that all certificates of deposit held by the Authority as of December 31, 2018 mature within 1 year.

Investments

The Authority’s investment policy allows for investments to be solely in securities approved by HUD. Authorized investment instruments are as follows:

- Obligations of the United States and certain U.S. government agency securities
- Insured Money Market Deposit Accounts
- Municipal Depository Fund
- Super NOW Accounts
- Certificates of Deposit
- Repurchase Agreements
- Sweep Accounts
- Separate Trading of Registered Interest and Principal of Securities (STRIPS)
- Mutual Funds that meet HUD criteria

The Authority’s deposit and investment policy specifies that all investments are to be adequately collateralized if deposits and investments exceed federal insurance limits. The policy does not formally address credit risk, interest rate risk, or foreign currency risk associated with investments.

Discretely Presented Component Units

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the discretely presented component units’ deposits may not be returned. At December 31, 2018, the discretely presented component units’ carrying amount of deposits was \$1,193,253 and the bank balance was \$1,214,496. Of the bank balances, \$682,175 was covered by Federal Depository Insurance. The remaining balance of \$532,321 was not insured and is exposed to custodial credit risk. Management does not believe that the deposits are exposed to a significant level of risk.

Note 3 - Restricted Cash

Primary Government

Restricted cash as of December 31, 2018 consists of the following:

| | |
|--|-------------|
| Tenant security deposits | \$ 277,685 |
| Housing Choice Vouchers, restricted net position | 66,765 |
| FSS escrows | 63,329 |
| | <hr/> |
| | \$ 407,779 |
| | <hr/> <hr/> |

Discretely Presented Component Units

Restricted cash as of December 31, 2018 consists of the following:

| | |
|--------------------------|-------------------|
| Tenant security deposits | \$ 71,683 |
| Replacement reserves | 158,098 |
| Operating reserves | 137,556 |
| | <u>367,337</u> |
| | <u>\$ 367,337</u> |

Note 4 - Notes Receivable

Notes Receivable from Tax Credit Projects (Note 10)

Ashwood Apartments, LLLP

| | |
|--|-----------|
| 1% note receivable, yearly payments to the extent of available cash flow with entire balance due December 2038 | \$ 39,647 |
|--|-----------|

Ashwood Apartments, LLLP

| | |
|--|---------|
| 1% note receivable, yearly payments to the extent of available cash flow with entire balance due December 2038 | 240,000 |
|--|---------|

Ashwood Apartments, LLLP

| | |
|---|----------------|
| 5.75% note receivable, due in monthly installments of \$2,334, including interest, due January 2030 | 340,404 |
| | <u>620,051</u> |

Santa Fe Crossing, LLLP

| | |
|--|---------|
| 6.49% note receivable, due in monthly installments of \$6,064, including interest, due December 2021 | 339,724 |
|--|---------|

| | |
|--|---------|
| 6.49% note receivable, due in monthly installments of \$8,132, including interest, due December 2021 | 647,609 |
|--|---------|

| | |
|---|---------|
| 0% note receivable, due in monthly installments of \$3,826, including interest, due December 2018 - (a) | 375,000 |
|---|---------|

| | |
|--|------------------|
| 0% note receivable, yearly payments to the extent of available cash flow with entire balance due December 2019 | 503,211 |
| | <u>1,865,544</u> |

Housing Authority of the City of Pueblo

Notes to Financial Statements

December 31, 2018

| | |
|--|---------------------|
| Oakshire Hills II, LLLP - Villas | |
| 4% note receivable, due in annual payments of \$25,507 on March 1st, due June 2027 | \$ 482,339 |
| 2.64% Division of Housing mortgage note receivable, due in annual payments from available cash flow, balance due June 2032 | 250,000 |
| 2.64% City Home mortgage note receivable due in annual payments from available cash flow, balance due June 2032 | 250,000 |
| | <u>982,339</u> |
| Uplands Townhomes, LLLP | |
| 2% note receivable, due in annual payments from available cash flow commencing December 2019, balance due December 2054 | 4,123,598 |
| 2.64% note receivable, principal and interest due upon maturity of December 2054 | 270,000 |
| 2% note receivable, due in annual payments from available cash flow commencing December 2019, balance due December 2054 | 673,688 |
| | <u>5,067,286</u> |
| Total Notes Receivable from Tax Credit Projects | <u>8,535,220</u> |
| Other Notes Receivable | |
| Lucky Star Limited Partnership, LLLP | 90,000 |
| Individual Loan Programs | 19,189 |
| | <u>109,189</u> |
| | 8,644,409 |
| Less current portion | <u>(563,132)</u> |
| | <u>\$ 8,081,277</u> |

(a) The original maturity of this note was December 2018. The maturity has been extended to December 1, 2024. No other changes were made to the note agreement.

Note 5 - Capital Assets

Primary Government

The following is a summary of property, structures, and equipment for the year ended December 31, 2018:

| | Balance 12/31/17 | Additions | Deletions | Balance 12/31/18 |
|--|----------------------|-----------------------|-----------------|----------------------|
| Non-Depreciable | | | | |
| Land | \$ 4,023,445 | \$ - | \$ - | \$ 4,023,445 |
| Total non-depreciable capital assets | <u>4,023,445</u> | <u>-</u> | <u>-</u> | <u>4,023,445</u> |
| Depreciable | | | | |
| Buildings and improvements | 58,558,215 | 545,877 | - | 59,104,092 |
| Furniture, equipment and machinery - dwelling | 713,192 | 16,000 | - | 729,192 |
| Furniture, equipment and machinery - administrative | 1,589,810 | 62,640 | 88,153 | 1,564,297 |
| Leasehold improvements | 7,972,504 | 148,768 | - | 8,121,272 |
| Total depreciable capital assets | <u>68,833,721</u> | <u>773,285</u> | <u>88,153</u> | <u>69,518,853</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (44,336,454) | (1,392,946) | - | (45,729,400) |
| Furniture, equipment and machinery - dwellings | (650,145) | (53,638) | - | (703,783) |
| Furniture, equipment and machinery - administrative | (1,405,243) | (35,993) | (88,153) | (1,353,083) |
| Leasehold improvements | (5,078,990) | (332,081) | - | (5,411,071) |
| Total accumulated depreciation | <u>(51,470,832)</u> | <u>(1,814,658)</u> | <u>(88,153)</u> | <u>(53,197,337)</u> |
| Net Depreciable Capital Assets | <u>17,362,889</u> | <u>(1,041,373)</u> | <u>-</u> | <u>16,321,516</u> |
| Total | <u>\$ 21,386,334</u> | <u>\$ (1,041,373)</u> | <u>\$ -</u> | <u>\$ 20,344,961</u> |

Discretely Presented Component Units

The following is a summary of property, structures, and equipment for the year ended December 31, 2018:

| | Balance 12/31/17 | Additions | Deletions | Balance 12/31/18 |
|---|----------------------|----------------------|-------------|----------------------|
| Non-Depreciable | | | | |
| Land | \$ 1,287,636 | \$ - | \$ - | \$ 1,287,636 |
| Construction in progress | 2,532,684 | 11,552,918 | - | 14,085,602 |
| Total | 3,820,320 | 11,552,918 | - | 15,373,238 |
| Depreciable | | | | |
| Buildings and improvements | 15,108,189 | 5,625 | - | 15,125,939 |
| Furniture and equipment | 276,271 | - | - | 276,271 |
| Total depreciable capital assets | 15,384,460 | 5,625 | - | 15,402,210 |
| Less: Accumulated Depreciation | (5,082,049) | (533,116) | - | (5,615,165) |
| Net Depreciable Capital Assets | 10,302,411 | (527,491) | - | 9,787,045 |
| Total | \$ 14,122,731 | \$ 11,025,427 | \$ - | \$ 25,160,283 |

Note 6 - PILOT Agreement

The Authority has entered into an agreement with the City of Pueblo, Colorado where the Authority may retain all payments in lieu of taxes required to be paid to the City and instead be used for certain allowable expenditures, as defined in the agreement. As of December 31, 2018, the Authority has recorded a payable in the amount of \$1,090,222 for payments in lieu of taxes withheld by the Authority and not incurred for allowable expenditures under the agreement.

Note 7 - Construction Note Payable

Discretely Presented Component Units

Uplands Townhomes, LLLP financed the construction of the Uplands Townhomes project in part with a construction note payable with Pueblo Bank & Trust in an amount up to \$12,365,000. The construction note payable has an interest rate of 4.25% with interest only payments monthly through maturity of December 2019 and is secured by a deed of trust. Upon maturity, the note will be paid down from limited partner equity contributions and the converted to a permanent loan. As of December 31, 2018, advances of \$2,660,957 have been made on the construction note payable.

Note 8 - Long-Term Debt

Primary Government

For the year ended December 31, 2018, the following changes occurred in long-term debt:

| | Balance 12/31/17 | Increases | Decreases | Balance 12/31/18 | Due Within One Year |
|---------------|---------------------|--------------|----------------|---------------------|------------------------|
| Notes Payable | \$ 4,563,343 | \$ 1,066,316 | \$ (1,421,380) | \$ 4,208,279 | \$ 454,720 |

Discretely Presented Component Units

For the year ended December 31, 2018, the following changes occurred in long-term debt:

| | Balance 12/31/17 | Increases | Decreases | Balance 12/31/18 | Due Within One Year |
|---------------|---------------------|--------------|-------------|---------------------|------------------------|
| Notes Payable | \$ 9,323,618 | \$ 4,447,018 | \$ (72,086) | \$ 11,037,593 | \$ 1,230,260 |

Primary Government

Notes payable as of December 31, 2018, consisted of the following:

| | |
|---|---------------------|
| 5.05% note payable to Wells Fargo Bank, due in monthly installments of \$20,247, including interest, unpaid principal and interest due November 2023, secured by a Deed of Trust on various properties | \$ 1,053,399 |
| 1% note payable to the U.S. Department of Agriculture, due in monthly installments of \$1,312, including interest, unpaid principal and interest due due June 2029, secured by a Deed of Trust | 155,689 |
| 3.3% note payable to Sunflower Bank, due in monthly installments of 28,495, including interest, unpaid principal and interest due May 2029, secured by a cost savings guaranty bond and assignment of contract and contractual rights | 2,999,191 |
| | <u>\$ 4,208,279</u> |

Discretely Presented Component Units

Notes payable as of December 31, 2018, consisted of the following:

Ashwood Apartments

| | |
|---|--------------------------|
| 1% Division of Housing mortgage note payable to the Housing Authority of the City of Pueblo (HACP), due in annual payments from available cash flow, to December 31, 2038, secured by a mortgage on the property and an assignment of rents | \$ 39,647 |
| 1% HOME loan to HACP, due in annual payments from available cash flow, to December 31, 2038, secured by mortgage on property the and an assignment of rents | 240,000 |
| 5.75% mortgage note payable to HACP, due in monthly installments of \$2,334, including interest beginning in January 2010, to January 2030, secured by a mortgage on the property and an assignment of rents | <u>340,404</u> |
| | <u><u>\$ 620,051</u></u> |

Santa Fe Crossing

| | |
|--|----------------------------|
| 7% mortgage note payable to the City of Pueblo, principal and interest due December 31, 2019, secured by a deed of trust | \$ 650,000 |
| 6.49% mortgage note payable to HACP, due in monthly installments, from available cash flow, of \$6,064, including interest, to December 2021, secured by a deed of trust | 339,724 |
| 6.49% mortgage note payable to HACP, due in monthly installments, from available cash flow, of \$8,132, including interest, to December 2021, secured by a deed of trust | 647,609 |
| 0% mortgage note payable to HACP, due in monthly installments, from available cash flow, of \$3,826, to December 2018, secured by a deed of trust - (a) | 375,000 |
| 0% mortgage note payable to HACP, principal due December 2019, secured by a deed of trust | <u>503,211</u> |
| | <u><u>\$ 2,515,544</u></u> |

(a) The original maturity of this note was December 2018. The maturity has been extended to December 1, 2024. No other changes were made to the note agreement.

Housing Authority of the City of Pueblo

Notes to Financial Statements

December 31, 2018

Oakshire Hills II

| | |
|---|---------------------|
| 4% Land note payable to HACP, due in annual payments of \$25,507 on March 1st, due June 2027, secured by a second deed of trust | \$ 482,339 |
| 2.64% Division of Housing mortgage note payable to HACP, due in annual payments from available cash flow, balance due June 2032, secured by a second deed of trust | 250,000 |
| 2.64% City Home mortgage note payable to HACP, due in annual payments from available cash flow, balance due June 2032, secured by a second deed of trust | 250,000 |
| 5.598% mortgage note payable to Sunflower Bank, due in monthly installments of \$5,212 beginning May 2013, through April 2028, secured by a deed of trust on all property and equipment, a security agreement and an assignment of rents and leases | <u>740,000</u> |
| | <u>\$ 1,722,339</u> |

Uplands Townhomes

| | |
|---|---------------------|
| 2% note payable to HACP, due in annual payments of principal and interest to the extent of available cash flow, commencing December 2019, due December 2054, secured by a deed of trust | \$ 4,123,598 |
| 2.64% land note payable to HACP, principal and interest due December 2054, secured by a deed of trust | 270,000 |
| 2% note payable to HACP, due in annual payments of principal and interest to the extent of available cash flow, commencing December 2019, due December 2054, secured by a deed of trust | 673,688 |
| 5% note payable to the County of Pueblo, principal and interest due at maturity of December 2054, secured by a deed of trust | 100,000 |
| 5% note payable to the City of Pueblo, principal and interest to due at maturity of December 2054, secured by a deed of trust | <u>1,012,373</u> |
| | <u>\$ 6,179,659</u> |

Housing Authority of the City of Pueblo

Notes to Financial Statements

December 31, 2018

Primary Government

The estimated debt requirements to maturity as of December 31, 2018 are as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------|---------------------|-------------------|---------------------|
| 2019 | \$ 454,720 | \$ 145,928 | \$ 600,648 |
| 2020 | 473,252 | 127,396 | 600,648 |
| 2021 | 492,837 | 107,810 | 600,647 |
| 2022 | 513,162 | 87,486 | 600,648 |
| 2023 | 508,689 | 66,413 | 575,102 |
| 2024 - 2028 | <u>1,765,619</u> | <u>158,184</u> | <u>1,923,803</u> |
| Total | <u>\$ 4,208,279</u> | <u>\$ 693,217</u> | <u>\$ 4,901,496</u> |

Discretely Presented Component Units

The estimated debt requirements to maturity as of December 31, 2018 are as follows:

| | <u>Principal</u> |
|-------------|----------------------|
| 2019 | \$ 1,230,260 |
| 2020 | 80,744 |
| 2021 | 1,021,656 |
| 2022 | 35,994 |
| 2023 | 37,762 |
| 2024 - 2028 | 1,043,819 |
| 2029 - 2033 | 1,080,690 |
| 2034 - 2038 | 327,009 |
| 2039 - 2043 | - |
| 2044 - 2048 | - |
| 2049 - 2053 | - |
| 2054 - 2058 | <u>6,179,659</u> |
| Total | <u>\$ 11,037,593</u> |

Note 9 - Annual Contributions Contract

The Authority has an annual contributions contract for Section 8 HAP and adjustments vary based on requirements. The maximum contract was \$8,483,299 for the year ended December 31, 2018.

Note 10 - Related Party Transactions**Investment in Tax Credit Projects**

As mentioned in Note 1, included within the financial reporting entity of the Authority are Pueblo Fenix, Inc., El Centro Pueblo Development Corporation, Inc., Historic Renovations of Pueblo, Inc., and El Pueblo Learning & Technology Services, Inc., which are non-profit organizations controlled by the Authority.

Pueblo Fenix, Inc. is the general partner in Ashwood Apartments, LLLP, a 25-unit low income housing tax credit project. El Centro Pueblo Development Corporation, Inc. is the general partner in Oakshire Hills II (Villas), LLLP, a 29-unit low income housing tax credit project and Uplands Townhomes, LLLP, a project currently in development. Historic Renovations of Pueblo, Inc. is the general partner in Santa Fe Crossing, LLLP, a 30-unit low income housing tax credit project.

As the general partner in the tax credit projects, the non-profit organizations manage the day to day operations of the projects; however, any significant changes to the operations must be approved by the limited partners. Under the partnership agreements, the Authority and the non-profit organizations have certain rights and obligations, including guarantees relating to operating and construction deficits. Total investment in tax credit projects was \$141,105 as of December 31, 2018, this is included in other assets.

The Authority continues to develop low-income housing tax credit projects. Prior to the closing of these projects with a limited partner, the Authority funds development and construction costs that will be reimbursed at a later date. At December 31, 2018, the Authority has invested \$408,466 into the development of these projects, this is included in other assets.

Accounts Receivable, Notes Receivable, and Developer Fee Receivable

The Authority has receivables from the tax credit projects mentioned above for developer fees, construction advances, and operating advances. As of December 31, 2018 the Authority was owed \$4,656,386 from the four tax credit projects.

As disclosed in Note 4, the Authority is owed \$8,535,220 on various notes receivable from the four tax credit projects mentioned above. As of December 31, 2018, the Authority was owed \$323,388 in accrued interest on the notes receivable.

Developer Fee Income

During 2018, the Authority earned \$565,939 in developer fees during the construction of Uplands Townhomes, LLLP. The remaining fee is to be earned throughout construction and will total \$1,200,000.

Other Income

During 2018, the Authority received \$166,640 from Uplands Townhomes, LLLP for architect and development services provided during construction.

Management Fees and Reimbursement of Expenses

The Authority provides management services to the tax credit projects mentioned above. Under the management agreements, the Authority is to be paid management fees totaling 8% of gross receipts on Ashwood Apartments, LLLP, 8.5% of gross receipts on Santa Fe Crossing LLLP, and 9% of rental income for Oakshire Hills II LLLP. During 2018, the Authority received \$58,485 in property management fees from the three tax credit projects that are in operations.

In addition, the Authority is reimbursed for various office expenses, caretaker payroll and benefits, and other maintenance costs incidental to the operations of the three tax credit projects that are in operations. During 2018, the Authority was reimbursed \$126,500 from the three tax credit projects for these expenses.

Note 11 - Defined Contribution Money Purchase Pension Plan

The Authority contributes to a single employer defined contribution money purchase pension plan on behalf of its employees. The Authority contributes seven percent of each participating employee's compensation. The employee's matching seven percent is paid by the Authority as compensation under an existing agreement. Employees are eligible to participate in the Plan after six months of service as an employee and become fully vested after five years of service. Employer matching contributions were \$215,585, \$210,974, and \$198,798 for the years ended December 31, 2018, 2017, and 2016, respectively. All of the plan's investments at December 31, 2018 of \$7,806,844 are managed by Principal Financial Group.

Note 12 - Management Services

As mentioned in Note 10, the Authority provides management services for Ashwood Apartments, LLLP, Central Apartments LLLP, Santa Fe Crossing LLLP, and Oakshire Hills II LLLP. In addition, the Authority provides management services for Union Plaza and Richmond Apartments. Union Plaza and Richmond apartments pay for all direct charges and then reimburse the Authority through a management fee agreement for the salaries, employee benefits, and other overhead items.

Note 13 - Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Authority carries commercial insurance for the risks of loss, including worker's compensation and employee accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. Limits of insurance coverage have been adjusted annually.

Note 14 - Condensed Component Unit Information

As described in Note 1 to the financial statements, included within the financial reporting entity of the Authority as blended component units are Pueblo Fenix, Inc., El Centro Pueblo Development Corporation, Inc., Historic Renovations of Pueblo, Inc., and El Pueblo Learning & Technology Services, Inc., which are non-profit organizations controlled by the Authority.

Also included in the financial reporting entity of the Authority as blended component units are Rood Candy Apartments, LLLP, Ashwood Development LLC, and Oakshire Hills, LLLP, which are wholly owned entities of the Authority. The Authority does not consider any of the blended component units to be major component units.

Condensed component unit information for the Authority's blended component units as of December 31, 2018 are as follows:

Condensed Statement of Net Position

| | | |
|------------------------------------|--|---------------------|
| Assets | | |
| Current assets | | \$ 1,093,291 |
| Capital assets | | 3,898,342 |
| Notes receivable | | 200,000 |
| Other assets | | 430,658 |
| | | <u>430,658</u> |
| Total assets | | <u>\$ 5,622,291</u> |
| Liabilities | | |
| Current liabilities | | \$ 632,403 |
| Noncurrent liabilities | | 876,054 |
| | | <u>876,054</u> |
| Total liabilities | | 1,508,457 |
| Net Position | | <u>4,113,834</u> |
| Total liabilities and net position | | <u>\$ 5,622,291</u> |

Condensed Statement of Revenues, Expenses and Changes in Net Position

| | |
|---------------------------------------|----------------------------|
| Operating Revenues | |
| Tenant rent | \$ 576,677 |
| Other | 14,482 |
| | <u>591,159</u> |
| Total operating revenues | <u>591,159</u> |
| Operating Expenses | |
| Maintenance salaries and benefits | 49,263 |
| Other administrative | 90,312 |
| Regular and extraordinary maintenance | 100,415 |
| Depreciation | 349,701 |
| Utilities | 67,191 |
| Taxes and insurance | 34,697 |
| | <u>691,579</u> |
| Total operating expenses | <u>691,579</u> |
| Operating Loss | <u>(100,420)</u> |
| Nonoperating Income (Expenses) | |
| Interest income | 1,720 |
| Interest expense | (20,385) |
| | <u>(18,665)</u> |
| Total nonoperating expense | <u>(18,665)</u> |
| Change in Net Position | (119,085) |
| Net Position, Beginning of Year | <u>4,232,919</u> |
| Net Position, End of Period | <u><u>\$ 4,113,834</u></u> |

Condensed Statement of Cash Flows

| | |
|--|----------------------------|
| Net Cash Provided by | |
| Operating activities | \$ 405,168 |
| Capital and related financing activities | (617,174) |
| Investing activities | 22,195 |
| | <u>(189,811)</u> |
| Net decrease in cash and cash equivalents | <u>(189,811)</u> |
| Cash and Cash Equivalents, Beginning of Period | <u>1,214,056</u> |
| Cash and Cash Equivalents, End of Period | <u><u>\$ 1,024,245</u></u> |



Supplementary Information
December 31, 2018

Housing Authority of the City of Pueblo

Housing Authority of the City of Pueblo
Combining Statement of Net Position – Assets
December 31, 2018

| Assets | Low Rent Public Housing | Section 8 Rental Voucher Program | Section 8 Mod Rehab Program | COCC Fund Program | Farm Worker Housing | Mineral Palace Tower | Family Self Sufficiency | Blended Component Units | Eliminations | Total |
|--|----------------------------|--|-----------------------------------|-------------------------|---------------------------|----------------------------|-------------------------------|-------------------------------|-----------------------|----------------------|
| Current Assets | | | | | | | | | | |
| Cash and cash equivalents | \$ 3,855,309 | \$ 1,226,797 | \$ 690,801 | \$ 779,121 | \$ 158,390 | \$ 712,063 | \$ - | \$ 1,024,245 | \$ - | \$ 8,446,726 |
| Restricted cash | 185,404 | 130,094 | - | - | 7,650 | 34,562 | - | 50,069 | - | 407,779 |
| Accounts receivable | | | | | | | | | | |
| HUD | 461,141 | - | - | - | - | - | - | - | - | 461,141 |
| Tenants, net of allowance | 55,589 | - | - | - | 216 | 2,242 | - | 8,782 | - | 66,829 |
| Related party - current portion | 751,479 | - | - | 2,654,317 | - | 1,243,000 | - | 7,590 | - | 4,656,386 |
| Interest on note receivables | 82,472 | - | - | 490,603 | - | - | - | 984 | (249,687) | 324,372 |
| Other | 9,261 | - | - | 30,028 | - | 1,542 | - | - | - | 40,831 |
| Notes receivable - current portion | - | - | - | 563,132 | - | - | - | - | - | 563,132 |
| Interprogram balances | - | 20 | - | 361,279 | - | - | 3,649 | - | (364,948) | - |
| Inventory | 33,866 | - | - | 115,699 | - | 3,130 | - | 1,621 | - | 154,316 |
| Prepaid expenses | 3,000 | - | - | 286,252 | - | 15,369 | - | - | - | 304,621 |
| Total current assets | 5,437,521 | 1,356,911 | 690,801 | 5,280,431 | 166,256 | 2,011,908 | 3,649 | 1,093,291 | (614,635) | 15,426,133 |
| Notes receivable, net of current portion | 4,123,598 | - | - | 4,633,733 | - | - | - | 200,000 | (876,054) | 8,081,277 |
| Accounts receivable, related party - long term | - | - | - | - | - | - | - | - | - | - |
| Investment in tax credit projects | - | - | - | - | - | - | - | 161,730 | (20,625) | 141,105 |
| Investments in projects in development | - | - | - | 139,538 | - | - | - | 268,928 | - | 408,466 |
| Non-depreciable capital assets | 3,310,198 | - | - | 241,683 | 66,700 | 134,819 | - | 270,045 | - | 4,023,445 |
| Depreciable capital assets, net | 11,613,851 | - | - | 159,482 | 446,759 | 473,127 | - | 3,628,297 | - | 16,321,516 |
| Total Assets | \$ 24,485,168 | \$ 1,356,911 | \$ 690,801 | \$ 10,454,867 | \$ 679,715 | \$ 2,619,854 | \$ 3,649 | \$ 5,622,291 | \$ (1,511,314) | \$ 44,401,942 |

Housing Authority of the City of Pueblo
Combining Statement of Net Position – Liabilities and Net Position
December 31, 2018

| | Low Rent Public Housing | Section 8 Rental Voucher Program | Section 8 Mod Rehab Program | COCC Fund Program | Farm Worker Housing | Mineral Palace Tower | Family Self Sufficiency | Blended Component Units | Eliminations | Total |
|--|----------------------------|--|-----------------------------------|-------------------------|---------------------------|----------------------------|----------------------------|-------------------------------|-----------------------|----------------------|
| Liabilities and Net Position | | | | | | | | | | |
| Current Liabilities | | | | | | | | | | |
| Accounts payable | \$ 161,250 | \$ 12,422 | \$ 1,795 | \$ 162,780 | \$ 1,238 | \$ 12,715 | \$ 1,160 | \$ 86,112 | \$ - | \$ 439,472 |
| Accounts payable - HUD | - | - | - | - | - | - | - | - | - | - |
| Accounts payable - related party | - | - | - | - | - | - | - | - | - | - |
| Accrued wages payable | 39,756 | - | 98 | 109,049 | 128 | 2,599 | - | - | - | 151,630 |
| Accrued compensated absences | 162,587 | 22,798 | - | 173,087 | - | 3,550 | - | - | - | 362,022 |
| Accrued liabilities | 21,399 | 63,329 | 9,241 | 7,387 | - | 2,485 | - | 3,931 | - | 107,772 |
| Accrued interest payable | 6,084 | - | - | 275 | - | 1,857 | - | 249,687 | (249,687) | 8,216 |
| Interprogram balances | 97,319 | 11,887 | 1,797 | 5,722 | 1,301 | 6,934 | - | 239,988 | (364,948) | - |
| Unearned revenue | 15,727 | - | - | - | 961 | 5,909 | - | 2,616 | - | 25,213 |
| Tenants security deposits payable | 185,404 | - | - | - | 7,650 | 34,562 | - | 50,069 | - | 277,685 |
| Notes and mortgages payable - current | 246,107 | - | - | - | 14,241 | 194,372 | - | - | - | 454,720 |
| Total current liabilities | 935,633 | 110,436 | 12,931 | 458,300 | 25,519 | 264,983 | 1,160 | 632,403 | (614,635) | 1,826,730 |
| Accrued compensated absences | 70,901 | 11,541 | - | 157,913 | - | 5,399 | 1,927 | - | - | 247,681 |
| Accrued payments in lieu of taxes | 1,090,222 | - | - | - | - | - | - | - | - | 1,090,222 |
| Notes and mortgages - net of current portion | 2,753,084 | - | - | - | 141,448 | 859,027 | - | 876,054 | (876,054) | 3,753,559 |
| Total Liabilities | 4,849,840 | 121,977 | 12,931 | 616,213 | 166,967 | 1,129,409 | 3,087 | 1,508,457 | (1,490,689) | 6,918,192 |
| Net Position | | | | | | | | | | |
| Net investment in capital assets | 11,924,858 | - | - | 401,165 | 357,770 | (445,453) | - | 3,022,288 | - | 15,260,628 |
| Restricted | - | 66,765 | - | - | - | - | - | - | - | 66,765 |
| Unrestricted | 7,710,470 | 1,168,169 | 677,870 | 9,437,489 | 154,978 | 1,935,898 | 562 | 1,091,546 | (20,625) | 22,156,357 |
| Total Net Position | 19,635,328 | 1,234,934 | 677,870 | 9,838,654 | 512,748 | 1,490,445 | 562 | 4,113,834 | (20,625) | 37,483,750 |
| Total Liabilities and Net Position | \$ 24,485,168 | \$ 1,356,911 | \$ 690,801 | \$ 10,454,867 | \$ 679,715 | \$ 2,619,854 | \$ 3,649 | \$ 5,622,291 | \$ (1,511,314) | \$ 44,401,942 |

Housing Authority of the City of Pueblo
Combining Statement of Revenues, Expenses and Changes in Net Position
Year Ended December 31, 2018

| | Low Rent Public Housing | Section 8 Rental Voucher Program | Section 8 Rehab Program | COCC Fund Program | Farm Worker Housing | Mineral Palace Tower | Family Self Sufficiency | Blended Component Units | Eliminations | Total |
|---|----------------------------|--|-------------------------------|-------------------------|---------------------------|----------------------------|-------------------------------|-------------------------------|--------------------|----------------------|
| Operating Revenues | | | | | | | | | | |
| HUD PHA grants | \$ 3,774,634 | \$ 8,444,632 | \$ 2,014,313 | \$ - | \$ - | \$ 385,873 | \$ 44,343 | \$ - | \$ - | \$ 14,663,795 |
| Other grants | - | - | - | 673,688 | 50,705 | - | - | - | - | 724,393 |
| Rental income | 2,278,910 | - | - | - | 49,860 | 436,173 | - | 576,677 | (15,000) | 3,326,620 |
| Fraud recovery | - | 29,292 | 3,750 | - | - | - | - | - | - | 33,042 |
| Management fees | - | - | - | 1,531,272 | - | - | - | - | (1,441,701) | 89,571 |
| Other | 293,657 | 73,335 | - | 809,765 | 470 | 27,501 | - | 14,482 | - | 1,219,210 |
| Total Operating Revenues | 6,347,201 | 8,547,259 | 2,018,063 | 3,014,725 | 101,035 | 849,547 | 44,343 | 591,159 | (1,456,701) | 20,056,631 |
| Operating Expenses | | | | | | | | | | |
| Housing assistance payments | 11,502 | 7,537,959 | 1,743,759 | - | - | - | - | - | - | 9,293,220 |
| Administrative salaries and benefits | 580,233 | 375,137 | 68,701 | 1,584,712 | 114 | 312 | 43,148 | - | - | 2,652,357 |
| Maintenance salaries and benefits | 1,333,064 | - | - | 110,341 | 7,128 | 102,996 | - | 49,263 | - | 1,602,792 |
| Other administrative | 951,941 | 340,277 | 79,580 | 294,688 | 16,444 | 198,829 | - | 90,312 | (1,456,701) | 515,370 |
| Regular and extraordinary maintenance | 1,363,964 | 45,594 | 8,186 | 31,569 | 30,043 | 170,317 | - | 100,415 | - | 1,750,088 |
| Depreciation | 1,286,745 | - | - | 15,052 | 46,459 | 116,701 | - | 349,701 | - | 1,814,658 |
| Utilities | 953,539 | - | - | 7,498 | 24,789 | 155,046 | - | 67,191 | - | 1,208,063 |
| Insurance | 311,168 | 9,286 | 1,526 | 36,797 | 5,739 | 37,965 | 633 | 34,697 | - | 437,811 |
| Payments in lieu of taxes | 151,394 | - | - | - | - | - | - | - | - | 151,394 |
| Other | 116,765 | - | - | - | 1,050 | 15,805 | - | - | - | 133,620 |
| Total Operating Expenses | 7,060,315 | 8,308,253 | 1,901,752 | 2,080,657 | 131,766 | 797,971 | 43,781 | 691,579 | (1,456,701) | 19,559,373 |
| Operating Income (Loss) | (713,114) | 239,006 | 116,311 | 934,068 | (30,731) | 51,576 | 562 | (100,420) | - | 497,258 |
| Non-Operating Revenues (Expenses) | | | | | | | | | | |
| Gain on sale of other assets | 2,905 | - | - | 755 | - | - | - | - | - | 3,660 |
| Interest income | 83,777 | 471 | 260 | 162,863 | 40 | 182 | - | 1,720 | (20,385) | 228,928 |
| Interest expense | (105,321) | - | - | - | (1,633) | (46,387) | - | (20,385) | 20,385 | (153,341) |
| Other | - | - | 281 | (2,409) | - | - | - | - | - | (2,128) |
| Total Non-Operating Revenues (Expenses) | (18,639) | 471 | 541 | 161,209 | (1,593) | (46,205) | - | (18,665) | - | 77,119 |
| Income (Loss) Before Capital and Other Contributions | (731,753) | 239,477 | 116,852 | 1,095,277 | (32,324) | 5,371 | 562 | (119,085) | - | 574,377 |
| Capital and Other Contributions | | | | | | | | | | |
| HUD capital grant | 1,137,759 | - | - | - | - | - | - | - | - | 1,137,759 |
| Transfers | 406,006 | 239,477 | 116,852 | 1,095,277 | (32,324) | 5,371 | 562 | (119,085) | - | 1,712,136 |
| Change in Net Position | 406,006 | 239,477 | 116,852 | 1,095,277 | (32,324) | 5,371 | 562 | (119,085) | - | 1,712,136 |
| Net Position, Beginning of Period | 19,229,322 | 995,457 | 561,018 | 8,743,377 | 545,072 | 1,485,074 | - | 4,232,919 | (20,625) | 35,771,614 |
| Net Position, End of Period | \$ 19,635,328 | \$ 1,234,934 | \$ 677,870 | \$ 9,838,654 | \$ 512,748 | \$ 1,490,445 | \$ 562 | \$ 4,113,834 | \$ (20,625) | \$ 37,483,750 |

Housing Authority of the City of Pueblo
 Schedule of Expenditures of Federal Awards
 Year Ended December 31, 2018

| <u>Federal Agency/Pass-Through Grantor Program Title</u> | <u>Federal CFDA Number</u> | <u>Pass-through Entity Identifying Number</u> | <u>Federal Expenditures</u> |
|--|------------------------------------|---|---------------------------------|
| United States Department of Agriculture (USDA) | | | |
| Rural Rental Assistance Payments | 10.427 | N/A | \$ 50,705 |
| Farm Labor Housing Loan | 10.405 | N/A | <u>170,969</u> |
| USDA expenditure total | | | <u>221,674</u> |
| U.S. Department of Housing and Urban Development | | | |
| Neighborhood Stabilization Program (NSP) | 14.228 | N/A | <u>673,688</u> |
| Housing Choice Vouchers Cluster | | | |
| Section 8 Housing Choice Vouchers | 14.871 | N/A | <u>8,308,253</u> |
| Section 8 Project-based Cluster | | | |
| Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation <i>Passed through the Colorado Housing Finance Authority</i> | 14.856 | N/A | 2,014,313 |
| Section 8 New Construction and Substantial Rehabilitation | 14.182 | DEN-951 D-77-216 | <u>385,873</u> |
| Total Section 8 Cluster | | | <u>2,400,186</u> |
| Public and Indian Housing | 14.850 | N/A | <u>3,774,634</u> |
| Family Self-Sufficiency Program | 14.896 | N/A | <u>44,343</u> |
| Capital Fund Program | 14.872 | N/A | <u>1,137,759</u> |
| U.S. Department of Housing and Urban Development Housing expenditure total | | | <u>16,338,863</u> |
| Total Federal Expenditures | | | <u><u>\$ 16,560,537</u></u> |

Note A – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Housing Authority of the City of Pueblo (the Authority) under programs of the federal government for the year ended December 31, 2018. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

Note B – Significant Accounting Policies

Expenditures reported in the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to subrecipients.

Note C – Indirect Cost Rate

The Authority has not elected to use the 10% de minimis cost rate and does not draw for indirect administrative expenses.

Note D – Farm Labor Housing Loan Program

The balances and transactions related to the Farm Labor Housing loan program, CFDA Number 10.405, are included in the Housing Authority of the City of Pueblo's basic financial statements. The balance of the loan outstanding as of December 31, 2018 is \$155,689.